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NSC BRIEFING

SECTION

5 May 1955

THE AFGHAN SITUATION DCI. 4385 66

- I. Afghan mobilization probably part of political chess game.
 - A. Kabul radio broadcast of 4 May, proclaiming state of emergency and ordering mobilization of armed forces.
 - 1. Affects 42,000 army, probably 20,000 gendarmerie, insignificant airforce.
 - 2. Includes call-up of 3 reserve classes.
 - a. Alert of three classes, supposedly 80,000 men, first reported in mid-April.
 - b. G-2 estimates Afghanistan can mobilize only about 28,000 men by
 M plus 30.
 - c. Afghan armed forces utterly incapable of successfully attacking Pakistan or resisting Pakistan attack.
 - 3. Afghan charge in Karachi recalled to Kabul.

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- B. Mobilization probably a political move, not foreshadowing war with Pakistan.
 - Believed routine measure to save face, indicate no weakening under Pak pressure.
 - 2. Does not necessarily indicate direction of Afghan thinking re ousting of Daud government. Merely suggests situation rapidly approaching showdown.
 - 3. Possible that Afghan maneuver will be to oust Daud but declare continued belief of government in Pushtoonistan principle.

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NSC BRIEFING



4 May 1955

SOUTH VIETNAM

- I. Dillemma for Diem is to retain support of fire-eating "revolutionary nationalists" while maintaining working relationship with French and perhaps Bao Dai.
- II. French officials stress "Bolshevik" orientation of Peoples
 Revolutionary Committee which sprang up amid fighting and
 gave support to Diem.
 - A. Allegations that revolutionary committee Communistinfluenced so far unsubstantiated.
 - B. Two or three members reportedly worked with Viet
 Minh some time before 1952, but current orientation
 consistently anti-Communist.
 - C. Appears to be instrument of political aspirations of Cao Dai and Hoa Hao elements who have remained loyal to government.
- III. Diem unwilling to repudiate committee because:
 - A. Its strongly anti-French, anti-Bao Dai line provides him political lever in dealing with French and Bao Dai.
 - B. Its propaganda has great appeal for Vietnamese.
 - C. Loyal sect elements represented in it account for about 19,000 troops.
 - Not clear how recent death in battle of Cao
 Dai general Trinh Minh The will affect loyalty
 his forces.

- IV. Diem nevertheless favors more moderate approach to French and Bao Dai.
 - A. Both Diem and the French are agreed that trouble between them can only aid the Viet Minh, but embassy has been unable to effect reconciliation.
 - B. Diem wants certain commitments from French--that they dissociate themselves from Binh Xuyen and expel Binh Xuyen contingents from positions in French sector--as condition for his curbing anti-French feeling.
 - C. Ely, is unresponsive, pictures Diem as anti-French fanatic on whom all blame for bloodshed rests; says Binh Xuyen can leave French sector whenever they want to.
 - D. Diem strategy is to convoke congress of some 1,000 representatives, ask them for mandate, thus bypassing Bao Dai problem and curbing extremist elements.
 - E. In pinch, Diem could probably rely on army to prevent seizure of power by revolutionary committee.
- V. Meanwhile, only cleanup operations left in fight against Binh Xuyen.
 - A. Binh Xuyen reportedly will attempt to hold out about 10 miles south of Saigon.
 - B. If driven from there, will retreat to coastal area.
- C. Our army attaché rates VNA performance very

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NSC BRIEFING

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4 May 1955

VIETNAM

- I. Dilemma for Diem is to retain support of fire-eating "revolutionary nationalists" while maintaining working relationship with French and perhaps Bao Dai.
 - A. French officials stressing "Bolshevik" orientation of Peoples' Revolutionary Committee, which sprang up amid fighting and gave support to Diem. No
 - in Revolutionary Committee so far unsubstantiated. S I never auti-Committee so far articlements, attached by Red Radio-
 - C. Two or three members reportedly worked with Viet Minh some time before 1952, but current orientation consistently anti-Communist.
 - D. Committee appears to be instrument of political aspirations for Cao Dai and Hoa Hao elements who have remained loyal to Diem government.

- II. Diem unwilling to repudiate Committee.
 - A. Its strongly anti-French, anti-Bao Dai line provides Diem with political lever in dealing with both.
 - B. Its propaganda has great appeal for Vietnamese.
 - C. Loyal Sect elements, represented in it, account for about 19,000 troops.
 - D. In this connection, not clear how recent combat death of Cao Dai general The (Committee member) will affect loyalty his forces.
 - Army to prevent seizure of power by the Committee. The not represented,
- III. Diem nevertheless favors approach to French and Bao Dai more moderate than Committee's.
 - A. Both Ciem and French are agreed that trouble between them can only aid the Viet Minh, but US Embassy has been unable to effect reconciliation.

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- B. Diem wants certain commitments from
 French--that they dissociate themselves from Binh Xuyen and expel Binh
 Xuyen contingents from positions in
 French sector--as condition for his
 curbing anti-French feeling.
- C. Ely pictures Diem as anti-French fanatic on whom all blame for bloodshed rests; says Binh Xuyen can leave

IV. Diem has convoked "congress" of some

1,000 representatives from all parts of
country to ask for mandate, thus hoping
to by-pass Bao Dai "legality" problem,
also curb extremist elements.

A. Congress met on 4 May: two groups evident. One group favored immediate ousting of Bao Dai; the other asked that provisional assembly first be established.

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- B. Army issued a statement which in effect backed the "go show" side.
- C. Congress will meet again today, attempt to resolve differences.
- v. Meanwhile, only cleanup operations left in fight against Binh Xuyen.
 - A. Binh Xuyen reportedly attempting to hold out about 10 miles south of Saigon.
 - B. If driven from there, will retreat to coastal area.
 - C. Our army attache rates VNA performance very satisfactory.
 - D. In tones of finality, Diem issued decree (in anne of Bao Dai) on 4 May, naming 3 Binh Xuyen leaders outlaws and confiscating their property.

Bao Dai-preparals Comment of Stale"

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NSC BRIEFING

4 May 1955

OUTLOOK IN SOUTH VIETNAM

Our tentative estimate on Saigon outlook (in our recent SNIE 63.1-2/1-55) is as follows:

- I. Diem's success has created new, potentially revolutionary situation in Vietnam.
- II. Diem's relations with the new
 "Revolutionary Council" not yet clarified. French
 charge Council Communist infiltrated, but we have
 no significant indications that any of members
 are Communist.
- III. Actions of Diem and his followers have taken on increasingly nationalistic, anti-French tone. He has to date exercised moderating influence on anti-French tone, but would almost certainly permit intensified anti-French

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manifestations if he believed French were continuing efforts depose him. Resultant grave dangers anti-French violence, particularly in Saigon.

- IV. Diem's attitude toward Bao Dai less clear, and he has apparently been considering suggestion "Revolutionary Council" that Bao Dai be deposed. He may be using ultranationalism to bring pressure against Bao Dai and French. If he is thwarted in his objectives by French or Bao Dai, he will become more susceptible to pressures toward extreme action.
- V. French will find it difficult accept

 Diem's success which came despite their

 opposition. We believe fear large-scale violence
 and adverse domestic and world reactions will

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cause French refrain overt action to restrain VNA or remove Diem, unless situation threatens serious loss French lives. We believe that the French will continue pressures for Diem's removal and some French elements likely continue covert assistance Diem's enemies. However, if French believe Diem consolidating his position, they may decide no choice but repair their position with Diem as best they can. (State felt French might step up plans to withdraw FEC rather than accommodate to Diem.)

VI. Assuming US continues support Diem, and that French acquiesce, we believe short term situation will stabilize in Saigon under Diem's control. Diem's prestige has increased throughout

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Vietnam. In case show-down, pro-Bao Dai elements in Army would probable be unsuccessful any attempt overthrow Diem.

VII. However, longer run outlook still not good. Diem's administrative talents unlikely improve. His success achieved largely on his own likely make him more independent and less amenable policy guidance. Diem's government will still be confronted with manifold internal problems. Although Diem has improved his position, we believe it will still be extremely difficult, at best, for Diem or any Vietnamese government build sufficient strength meet long-range challenge of Communist.

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NSC BRIEFING

4 May 1955

BACKGROUND--AUSTRIAN STATE TREATY

- I. In Article 16, Austria agrees:
 - A. To take all necessary measures to complete "repatriation" of displaced persons and refugees within its territory, and to give assistance to the
 powers concerned for this purpose.

B. There is disagreement over whether this would be this (s) voluntary repatriation or not, and over whether there whether this would be this Article should include persons arriving since 1945.

- C. The article further requires Austria to permit accredited representatives of the powers concerned to visit DP's in Austrian camps.
- D. It prohibits propaganda in DP camps hostile to the interests of the Allied and Associated powers, prohibits activities designed to induce DP's to go to countries of which they are not nationals, and requires the dissolution of any resistance groups in such camps.
- E. Several paragraphs, which specify Austrian transport responsibilities for "repatriation," and the like, strongly imply that such repatriation is mandatory.

 The Western position is that it should be voluntary.

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- F. Article 16, which provides for the return of German nationals residing in Austria, in accordance with Allied agreements, has already been dropped with Soviet agreement.
- II. Austria's position on the return of DP's and refugees is not firm:
 - A. On 16 April, Chancellor Raab reportedly told a meeting of People's Party officials that at Moscow, the USSR had proposed mandatory return of all refugees from Eastern countries.
 - B. Raab did not say whether he had agreed to this proposal, and the proposal does not appear in text of the Austro-Soviet agreement which has been received.
 - C. On 20 April, Raab's "mouthpiece," the Neue Wiener

 Tageszeitung, stated editorially that "Austria will
 not retreat one step from the right of asylum which
 is the inherent right of a neutral state."
 - D. On 22 April, Raab stated to American officials in Vienna that Austria would have the right of asylum under the proposed treaty settlement.
 - E. During the Ambassadors' negotiations in Vienna on 2 and 3 May, Austrian representatives, along with representatives of the Western Powers, proposed and argued for the elimination of Article 16 in its entirity.

Approved For Release 2000/05/23: CIA-RDP80R01443R000400010003-5 III. The Soviet position is apparently firm:

- A. In Vienna, the Soviet Ambassador has refused to delete Article 16, but has agreed to give consideration to an American proposal to remove the last four paragraphs (the parts which would put the most pressure on refugees to return).
- B. Moscow obviously is interested both in getting refugees to return to Orbit countries and in preventing antiCommunist emigre groups from operating in Austria and will try to leave Article 16 (which, in its view, makes "repatriation" mandatory) unchanged.
- C. The Soviet propaganda position on this matter is weak, however, and the USSR may be willing to compromise--particularly on the Foreign Ministers' level--if some concession seems tactically necessary.
- IV. British and French negotiators in Vienna have whole heartedly advocated solving the question by deletion of Article 16.
- V. Displaced persons (i.e. pre-1945 arrivals) and refugees
 (i.e. post-1945 arrivals) now in Austria are as follows:

 A. Total 23,485.
 - B. Unknown but small number of these are Soviet.
- C. 7,702 are Bulgarians, Hungarians and Rumanians.

 Ph. 11,941 are Yugoslava
 - E. American officials fear that Article 16 could be construed to apply to all foreign refugees in Austria, in or out of camps.

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- VI. Article 17 of the treaty agrees that Austria shall:
 - A. Maintain a defensive force "closely restricted to meeting tasks of an internal character and local defense of frontiers."
 - B. The land army, including frontier guards, antiaircraft troops, gendarmerie and river gendarmerie, is limited to a total strength of 53,000 men.
 - C. The air force is limited to 90 planes (including reserves), of which not more than 70 may be combat types, and total personnel strength is held to 5,000 men. Austria shall have no bomber aircraft.
- VII. Articles 18 through 30 of the treaty also deal with conditions under which armed forces are to be raised and maintained—eligible personnel (no ex-Nazis), types of weapons and aircraft, policy toward possible future German rearmament, etc.
- VIII. The Austrian government would welcome revisions in the treaty to permit an increase of armed forces by 35,000 men.
 - X. UK and French advocate an increase in Austrian armed forces.
 - IX. Soviet position on an increase in Austrian armed forces is not yet definitive. Thus far:
 - A. Soviet Ambassador during talks in Vienna, has declared he is not authorized to discuss any revision of Article 17 and has also opposed changes in the other military articles.

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B. Pravda has sharply attacked proposals for increasing the size of the army as an attempt to destroy Austrian neutrality and draw her into a military bloc.

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BACKGROUND--TREATY ARTICLE 16

- I. In Article 16, Austria agrees:
 - A. To take all necessary measures to complete "repatriation" of displaced persons and refugees within its territory, and to give assistance to the powers concerned for this purpose.
 - 1. 1949 draft treaty, which ambassadors are using in Vienna, open to disagreement over whether repatriation would be voluntary.

 Also unclear whether or not article can be applied to refugees arriving since 1945.
 - B. Article further requires Austria to permit accredited representatives of the powers concerned to visit DP camps.

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- C. Prohibits: propaganda hostile to the interests of the Allied and Associated powers, inducement of DP's to go to countries of which they are not nationals: requires dissolution of any resistance groups in DP camps.
- D. Article 16 bis (return of German nationals residing in Austria in accordance with Allied agreements) has already been dropped with Soviet agreement.
- II. Austria's position on the return of DP's and refugees is not clear:
 - A. Although Raab has reported a Soviet proposal for mandatory return of all refugees from Eastern countries, he has not said whether he agrees.
 - B. Raab's "mouthpiece," the Neue Wiener

 Tageszeitung, has stated editorially
 that "Austria will not retreat one
 step from the right of asylum which is
 the inherent right of a neutral state."

C. During the Ambassadors' negotiations in Vienna on 2 and 3 May, Austrians (along with Western representatives) proposed and argued for elimination of Article 16 in its entirity.

III. The Soviet position is apparently unsettled:

- A. At Vienna Ambassador's meeting, USSR has refused to delete Article 16, but agreed to consider US proposal to remove last four paragraphs (which put most pressure on refugees).
- B. Moscow--obviously interested both in getting back Orbit refugees and in wiping out anti-Communist emigre groups in Austria--will try to leave Article 16 (which, in its view, makes "repatriation" mandatory) unchanged.
- C. Soviet propaganda position on this matter is weak, however, and USSR may compromise if concession tactically necessary.

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- IV. UK, French negotiators in Vienna want deletion of Article.
- V. Displaced persons (i.e. pre-1945 arrivals) and refugees (i.e. post-1945 arrivals) now in Austria are as follows:
 - A. 23,485 from Orbit countries, including small number Soviet.

 B. Plus 11,941 Yugoslavs.
 - C. American officials fear that Article

 16 could be construed to apply to all

 foreign refugees in Austria, in or

 out of camps.

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NSC BRIEFING

3 May 1955

FORMOSA STRAITS

- I. No significant military action in past week.
 - A. We believe we now have explanation of heavy increase in number of explosions (reported as artillery "sounds") during April at various points on Peiling Peninsula (northwest of Matsus).
- B. In past week these "sounds" averaged some 100 per 25X1X7 day, highest count 344 (29 April).
 - reported explosions correspond roughly in location with roads and field fortifications under construction on peninsula.
- II. We continue to believe Chicoms unlikely to undertake major military operations while exploring possibility of negotiations with US.
 - A. However, we recognize possibility of limited Chicom harassment of islands—conceivably including attacks on isolated islands like Wuchiu—as part of pressure for negotiations.
- III. India's Krishna Menon going to Peiping soon to try clarify Chicom position on negotiations.
 - A. Menon has recently seemed both sympathetic to Peiping and emotionally disturbed. He may not accurately represent Chicom attitude.

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25X1X7P

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- IV. Chicom public statements continue take hard line on substantive issues which any negotiations might discuss.
 - A. Peiping says no need for cease-fire, as US, China not at war "at present."
 - B. Says Formosa is "internal" question, implying status of Formosa not negotiable.
 - C. Says only "international" question is US "intervention," implying only matter to negotiate is withdrawal of US forces.
 - D. If US forces withdrawn, Chicoms envisage "peaceful liberation" Formosa along lines of 1949 nonviolent subversion many mainland areas.

NSC BRIEFING

3 May 1955

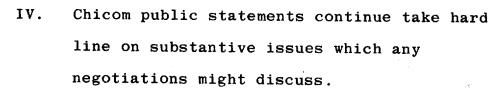
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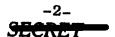
4 May 1955

EAST-WEST TRADE AND AUSTRIAN TREATY

- I. As to volume, the treaty terms proposed by USSR would not in themselves result in significant increase Austrian trade with Soviet Bloc.
 - A. Crude oil, to be delivered in payment for return of Soviet-held oil properties, would be little more than half the recent level of Austrian shipments to Bloc.
 - B. Proposed annual deliveries of \$25
 million in goods for 6 years (in compensation for USIA enterprises) are
 comparable to recent USIA exports
 to Bloc.
- II. Whether conclusion of treaty would pave way for trade increases depends largely on Bloc itself.

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- A. Austrian firms are interested in increasing such trade, as with all trade, and same is true of Austrian government.
- III. Since mid-'53 initiation of "New Course," general East-West trade has increased substantially, while Soviet-Satellite trade with Austria has declined.
 - A. Difficulties over quality, prices, and delivery dates of Bloc goods, rather than Austrian deficiencies, have held trade with Bloc to 10% of Austria's total.
 - B. Continuation of this proportion seems more likely in future than a return 1937 conditions (when Bloc countries accounted for more than 30% of Austrian trade.
- IV. As to the composition of this trade, the Soviet treaty terms probably will not bring much change from the present.



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- A. Some Austrian commodities (such as copper sheets and rolling mill equipment) requested are subject to East-West trade controls and therefore to Battle Act sanctions.
- B. Others (including steel, galvanized iron sheets, power-line cable, non-corrosive steel chemical apparatus, compressors, paper-making and wood-processing machines, and certain precision instruments) are now manufactured in Soviet zone Austria and are representative Austrian export items.
- C. In conclusion, Austrian trade with the Bloc is too small to permit Austria being maneuvered into an economic dependence similar to Finland's.

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4 May 1955

BACKGROUND

TREATY ARTICLE 17, OTHERS

- I. Article 17 of the treaty agrees that Austria shall:
 - A. Maintain a defensive force "closely restricted to meeting tasks of an internal character and local defense of frontiers."
 - B. Ground forces, including frontier guards, anti-aircraft troops, gendarmerie and river gendarmerie, limited to total 53,000 men.
 - C. Air force limited to 90 planes, of which only 70 may be combat types and none bombers: total personnel held to 5,000 men.
- II. Articles 18 through 30 of the treaty also deal with defense matters: conditions under which armed forces are to be raised and maintained, eligible personnel (no ex-Nazis),

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types of weapons and aircraft, policy toward possible future German rearmament, etc.

- III. Austria would welcome revisions to permit an increase of armed forces by 35,000 men.
- IV. UK and French advocate increase.
- V. Soviet position not yet definitive. Thusfar:
 - A. Soviet Ambassador, during talks in Vienna, has declared he is not authorized to discuss any revision of Article 17 and has also opposed changes in the other military articles.
 - B. Pravda has sharply attacked increase proposals as attempts to destroy

 Austrian neutrality, draw her into military bloc.

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NSC BRIEFING

CONFIDENTIAL

4 May 1955

RECENT AUSTRIAN "ASYLUM" INCIDENT

- I. Just before the Austro-Soviet talks in Moscow, an incident in the Soviet Zone of Austria (widely publicized in Austrian press) brought home to Austrians the question of right asylum for Iron Curtain refugees.
 - A. Four Hungarians crossed the border into Austria during the first week of April '55. They had been wounded during the crossing, one of them nearfatally. They were taken for care to an Austrian hospital in the Soviet Zone.
 - B. Soviet authorities were told of their whereabouts by an Austrian Communist.

 Soviet Army personnel then literally dragged the Hungarian refugees out of the hospital and put them back across the border into Hungary.

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East-West Trade Implications of the Soviet-Austrian

Treaty Terms

1. Volume of trade. The new Austrian treaty terms proposed by the USSR would not in themselves result in a significant increase in Austrian trade with the Soviet Bloc. The crude oil to be delivered in payment for the return of the Soviet-held oil properties amounts to little more than one-half of recent SMV (Austrian) shipments of crude oil and petroleum products to the Bloc. The proposed annual deliveries of \$25 million in goods for 6 years in compensation for the USIA enterprises are comparable in amount to recent USIA exports to the Bloc.

Whether conclusion of the treaty would pave the way for increases in trade beyond the current level depends very largely on the Bloc countries. Austrian firms are interested in increasing trade with the Bloc, as with all other areas, and the Austrian government can be expected to promote rather than obstruct such a development, since a

large volume of trade is essential for Austria.

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Since the "New Course" pronouncements on trade in 1953, East-West trade in general has increased substantially, but Soviet-Satellite trade with Austria has declined. familiar difficulties concerning the quality, prices, and delivery dates of goods offered by Bloc countries rather than Austria's ability and willingness to increase trade have restricted its trade with the Bloc to about one-tenth of its total trade. On the basis of the experience of the last 10 years, a continuation of something like this proportion seems more likely than a return to the trade relationships of 1937, when the present countries of the Bloc accounted for over one-third of Austrian trade turnover.

2. Composition of trade. The Soviet treaty terms probably would not alter to an important degree the commodity composition of Austrian exports to the Soviet Bloc. Some commodities such as copper sheets and rolling mill equipment requested by the Soviets in payment for the USIA enterprises are subject to East-West trade controls.

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Other products requested by the USSR include steel and galvanized iron sheets, power-line cable, noncorrosive steel chemical apparatus, compressors, paper-making and wood-processing machines, and certain precision instruments. As far as can be determined from such general descriptions, most of these products are manufactured in the present Soviet zone, some of them in USIA plants, and they are representative Austrian export items.

In any event, it is unlikely that Austria could be maneuvered into a position similar to Finland's economic dependence of the Soviet Bloc by means of the trade list prepared by the USSR.

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